Community Bank
of Oelwein

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September 6, 2005

Mr. John F. Carter
Regional Director
Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

Re: Comments Regarding FDIC Application #20051977; Wal-Mart Application for Insurance and Industrial Bank Charter

Dear Mr. Carter:

I oppose the above referenced application and urge the FDIC to deny the application.

Wal-Mart professes to have a narrow business plan for the ILC, the application nonetheless presents very serious public policy issues regarding the appropriate structure of our financial and economic system. The application by the world's largest company—with $290 billion in revenue, 3,600 U.S. retail stores, 1.25 million U.S. employees, and more than 100 million customers a week—presents issues involving the mixing of banking and commerce, impartial allocation of credit, and economic concentration

Wal-Mart's current business plan for the ILC is narrowly described as providing back office processing of credit card, debit card and electronic check transactions in Wal-Mart store. While the application itself is narrowly drawn, Wal-Mart has had a well-publicized mission to get into the banking business despite the existing legal and regulatory barriers established on long-held public policy grounds to prevent the full blown mixing of banking and commerce in our nation. Wal-Mart's repeated past attempts to gain a foothold in banking and combine full-service banking with its retail operations on a nationwide basis give rise to skepticism about its current narrow business plan.

Despite any current non-legally binding pledges from Wal-Mart regarding its business plan for a Utah ILC—such as a "no branching" pledge—we see nothing to prevent Wal-Mart from chartering the ILC on a narrow business plan, and later seeking the approval of the Utah Department of Financial Institutions and the FDIC to expand its business and conduct full service banking in its stores. We also see nothing to prevent any conditions placed on the approval of a narrow charter by the Utah DFI being removed in the future upon application by the Wal-Mart ILC.

The linchpin of the financial and economic system of the United States is the principle of the separation of banking and commerce. The Wal-Mart application presents a prime example of the dangers of concentration of resources and impaired credit availability that flow from allowing a commercial company such as Wal-Mart to own a bank or ILC. And in Wal-Mart's particular case, these dangers are amplified because of the company's enormous size, market clout and role in destroying the vitality of many small town centers.

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Numerous small towns and communities have experienced the devastating loss of locally-owned and operated retailers, and disinvestment after Wal-Mart establishes a store on the outskirts of town. The Wal-Mart store in essence becomes the new "downtown" once the town center has been depleted of viable competitors.

Because of this common history and experience of many communities, when evaluating the application I urge the FDIC to consider what will happen to credit availability and customer and community service when the Wal-Mart bank siphons deposits from locally-owned and operated community banks, impairing their ability to continue to support economic growth and development in their communities through lending, and driving them out of business.

Will a competing local hardware or clothing store, a local pharmacy, or someone wishing to establish a new store, be able to obtain credit from the Wal-Mart bank, or want to share its confidential business plans with the Wal-Mart bank? The Wal-Mart bank would have no incentive -- in fact it would have a disincentive -- to lend to businesses that compete with its parent company. Instead of making impartial credit decisions based on the creditworthiness of the borrower, the Wal-Mart bank would have incentive to deny credit, not on the merits, but because of a conflict of interest and its relationship with Wal-Mart.

Ownership by Wal-Mart would have a similar effect on the bank's decision-making with regard to credit applications by Wal-Mart suppliers. Again, instead of making credit decisions on the merits of a borrower's creditworthiness, the Wal-Mart bank would have an incentive to favor Wal-Mart's suppliers and disfavor their competitors. In fact, Wal-Mart could require its suppliers to obtain their banking and credit services from the Wal-Mart bank if they want to do business with Wal-Mart.

Consumers and households likewise will be ill-served by a Wal-Mart bank. If the past is prologue, local banks, just like local retailers in towns where Wal-Mart has located, will no longer be able to compete. While the initial effect may be cheaper services at the Wal-Mart bank, the long-term effect will be reduced choices for consumers as the number of financial services providers shrinks, and as the products become more commoditized.

A Wal-Mart owned bank will not be able to look at other factors beyond a consumer's credit score to understand the customer's individual circumstances and cannot make the customer a loan based on a long-standing relationship and personal knowledge of the customer—something community banks do every day.

Moreover, there is the danger that Wal-Mart will export deposits out of the local community. This has been the current pattern of the large retailer when it establishes itself in a local community. The retailer's deposits do not stay with local banks, but rather are transferred to the store's central headquarters. This pattern in the past has had a devastating effect on local communities as retail dollars spent in the community are exported elsewhere and do not remain in the community to support local lending and economic development.

Please do not allow Wal-Mart to destroy the essence of community banking, reject this application. Thank you.

Sincerely,

Paul D. Gray
President/CEO